

California Energy Action Plan








March 2005 Update: CPUC Actions To Ensure Summer 2005 Energy Supply

Energy Action Plan Public Meeting
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The CPUC Continues To Implement the EAP Loading Order

-  Adopt aggressive energy efficiency goals and new program structure.
-  Develop robust demand response initiatives.
-  Enhance rules for renewable procurement, review contracts.
-  Adopt the IOUs long-term plans to ensure adequate and reliable service.
-  Integrate DG costs and benefits with procurement and incentive programs.
-  Transmission upgrades and new projects are underway.
-  Natural gas pipelines and storage projects add needed capacity, while two proposed liquefied natural gas facilities could provide additional supply.

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1. Robust Investments in Energy Efficiency Continue

- CPUC-authorized programs are expected to increase energy savings from 380 MWs in 2004 to 750 MWs by Summer 2005.
- In January 2005, the CPUC adopted a new program structure which returns the IOUs to program planning, oversight, and management.
- CPUC is reviewing SCE's application for approval of incremental energy efficiency programs.

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CPUC-Authorized Programs Targeting Peak Demand

- **Rebate programs:** offer financial incentives to residential and nonresidential customers for purchase of energy efficient products
- **Appliance recycling:** provides cash incentives for surrender of older, inefficient refrigerators and freezers.
- **Energy efficiency retrofits:** provides incentives to distributors to stock and sell high efficiency products.

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The Green Building Initiative Sets Building Efficiency Goals

- In December 2004, the Governor issued an Executive Order to increase energy efficiency in state buildings by 20%.
- The CPUC issued a ruling in December to establish options for existing programs to meet these objectives, and for policy recommendations for funding allocation and priorities in future years.
- In September 2005, the CPUC will submit a progress report to the Governor on meeting these goals.

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2. Demand Response Programs Are Expected To Save Up To 2450 MWs In Summer 2005

- **Interruptibles**
 - No. California 386 MW
 - So. California 956 MW
- **Day-Ahead Programs**
 - No. California 410 MW
 - So. California 265 MW
- **Flex Your Power Now** 500 MW
- **20/20 Programs**
 - No. California 250 MW
 - So. California 172 MW
- **Incentives/Education/Outreach** 15 MW
- **Voluntary Load Reduction** 172 MW

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Examples Of Demand Response Programs Approved By The CPUC In January 2005

- **Day-ahead programs:** Demand Bidding, Demand Reserves Partnership, 20/20 (SDG&E only) for customers between 20-300 kW.
- **Day-of reliability programs:** Base Interruptibles, Air Conditioner Cycling, Smart Thermostat.
- **Assistance, education, and outreach:** Technology assistance and incentives, partnerships with schools, water districts, and communities, Flex Your Power Now, and 20/20 for small customers.

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The CPUC To Address Peak Pricing Rates And Advanced Metering

- In January 2005, the IOUs filed applications for mandatory critical peak pricing tariffs for large commercial customers over 200 kw.
- A draft decision on these applications is anticipated by the end of March 2005.
- On March 15, 2005, PG&E and SDG&E filed their Advanced Metering Infrastructure (AMI) applications. SCE's application is due April 1.
 - PG&E proposes advanced metering deployment in 2006.

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3. Enhanced Procurement Rules Accelerate CA Renewables Goals

- California's Renewable Portfolio Standard (RPS) establishes a target of 20% of energy needs from renewables in 2017.
- The CPUC established measures to advance the RPS goal of 20% by 2010:
 - Established contract terms and conditions.
 - Authorized a market price referent methodology to evaluate RPS bids.
 - Adopted a method to calculate transmission costs associated with new renewable development.
- PG&E and SDG&E will submit renewables contracts from their 2004 solicitations to the CPUC in 1st and 2nd quarters of 2005.
- SCE filed contracts with the CPUC on March 8, 2005, based on their 2003 interim solicitation.

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The CPUC Is Exploring A Responsible Long-Term Solar Strategy

- \$200 million was allocated to solar incentives between 2001-2004.
- A March 7, 2005 ruling emphasized that the IOUs may borrow forward from 2006-2007 program budgets to fund eligible 2005 solar projects.
- The 2006 and 2007 budgets for solar, fuel cells, and combustion technologies is \$250 million.
- A Joint CPUC/CEC staff report proposing implementation strategies for the Governor's Solar Initiative is expected to be complete in late April.

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4. Integrated Resource Plans Ensure Reliable, Affordable Electricity

- A December 2004 CPUC decision adopts the utilities' long-term procurement plans
 - Grants the IOUs procurement authority on a rolling 10-year basis.
 - Authorizes long-term power contracts.
 - Integrates renewables into general procurement.
 - Resolves IOU procurement cost recovery issues.
 - No preapproval required for contracts under 5 years
 - No recovery of initial capital costs over final bid price for utility-owned resources.

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Load Serving Entities* Must Meet Resource Adequacy Standards

- The CPUC adopted a mandatory procurement schedule. LSE's must:
 - Acquire reserve margins of 15-17% by June 1, 2006.
 - Lock up 90% of summer requirements one year in advance. (90% of Summer 2006 energy purchases must be made by September 30, 2005.)
 - Purchase 100% of requirement one month in advance
- CPUC adopted uniform protocols for LSEs to forecast customer load and “count” resources.
- By June 2005, the CPUC will adopt rules regarding location procurement and deliverability.

*Includes utilities, electric service providers, and community choice aggregators.

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IOUs Must Meet Interim Reliability Measures For Summer 2005

- To assist the ISO with maintaining grid reliability, the CPUC directed the IOUs to:
 - Consider factors other than least-cost, such as transmission congestion and reliability, when purchasing and scheduling energy resources.
 - Include all anticipated ISO-related costs when evaluating procurement options.
 - Procure and schedule resources that will enhance local area reliability and minimize the need for more expensive ISO-procured contracts.
 - Seek cost recovery of certain above-market costs via FERC Reliability Services tariff.

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PG&E And Mirant Resolve Claims Of Overcharges And Market Manipulation

- Approval by FERC and the bankruptcy court overseeing Mirant's Chapter 11 case is pending.
- PG&E would receive Mirant's interest in Contra Costa 8, an uncompleted modern 530 MW power plant, and would then seek CPUC approval to complete and operate the plant.
- PG&E would receive contracts (from 2006-2012) to dispatch power from certain RMR units at Mirant's Contra Costa and Pittsburg Power Plants when those units are not needed to meet local reliability needs.

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The IOUs Solicit and Negotiate Power Contracts

- On February 23, 2005, PG&E filed an advice letter requesting CPUC approval to enter into a nearly 3-year tolling agreement with Duke Energy for 650 MW.
 - PG&E would receive the output from Morro Bay 3 and 4, at 325 MW each.
 - The contract term begins in 2005 and runs through December 2007.
- SCE issued a solicitation for intermediate-term commitments (2005 - 2008) on October 25, 2004.
 - Requested products included local reliability, system resources, and dispatchable & non-dispatchable peakers.
 - SCE executed agreements for thousands of MWs in late January 2005.

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5. Incentives And Improved Interconnection Processes Spur Distributed Generation

- 480 MW of distributed generation was installed since 2000; another 175 MWs are pending IOU interconnection approval.
- In December 2004, the CPUC adopted improvements to the Self Generation Incentive Program.
 - Retained the \$125 million annual budget.
 - Reduced solar incentives to \$3.50/watt (from \$4.50/watt) effective December 16, 2004, and to \$3.00/watt on January 1, 2006.
 - Implemented emissions and efficiency standards.

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The CPUC Will Adopt A DG Cost-Benefit Methodology In Summer 2005

- May 2005 hearings will solicit DG cost-benefit proposals.
- The CPUC is scheduled to consider DG issues in June 2005.
 - Review and approve a cost-benefit methodology to evaluate DG for resource planning and incentive funding.
 - Address interconnection issues such as costs and metering, and assess IOU implementation of interconnection rules.

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6. Transmission: New Projects, Streamlined Planning and Siting Processes

- Projects approved by the CPUC in 2004 will provide much-needed transmission capacity.
 - SDG&E's Mission-Miguel upgrade adds 250-350 MWs in Summer 2005; another 100 MWs by 2006.
 - PG&E's Jefferson-Martin transmission line adds 400 MWs of transmission capacity between San Francisco and the Peninsula by June 2006.
 - SCE's Viejo project adds 1,000 MWs in Orange County in 2006.
- CPUC, CEC, and ISO in discussions regarding streamlining of transmission planning and siting.

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7. New Natural Gas Pipelines and Storage Projects Add Needed Capacity

- The El Paso pipeline project added 320 MMcfd capacity in 2004. Four other projects would add 690 MMcfd in 2005, and 1250 MMcfd by 2007.
- Projects completed in 2004 by PG&E and by Wild Goose added 12 Bcf of new storage capacity.
- Two proposed liquefied natural gas facilities off the coasts of California and Mexico could provide 2000 MMcfd capacity by 2008.